UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/51/488
14 October 1996

ORIGINAL: ENGLISH

Fifty-first session
Agenda item 111

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

# Implementation of the recommendations of the Board of Auditors

## Report of the Secretary-General

## I. INTRODUCTION

1. In paragraph 7 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the Secretary-General and the executive heads of the United Nations organizations and programmes to report to it, at the same time as the recommendations of the Board of Auditors were submitted to the General Assembly, on measures taken or to be taken in response to those recommendations.

2. The present report has been prepared accordingly, on the assumption that all of the recommendations made by the Board of Auditors in its report for the biennium ended 31 December 1995 1/ would be approved by the General Assembly at its current session. Information is provided on measures taken or to be taken to implement the recommendations of the Board of Auditors, including a timetable where appropriate.

3. In preparing the present report, account was also taken of the provisions of General Assembly resolutions 49/216 of 23 December 1994 (in particular those of paragraphs 9 and 10 of section A, paragraphs 3 and 4 of section B and paragraphs 3 and 10 of section C) and 50/204 A of 23 December 1995, in particular those of paragraph 4.

96-27489 (E) 281096 301096

/...

## II. IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN PARAGRAPH 10 OF THE REPORT OF THE BOARD OF AUDITORS

4. In paragraph 10 (a), on the subject of budgetary control, the Board recommended the following:

> "Budgetary control at the level of responsibility centres should be improved by closer scrutiny through the generation of exception reports. Rigorous control over budgetary performance of trust funds should be ensured. The format of the periodic budget performance reports should be modified to enable a more meaningful review of expenditures to be made."

5. In accordance with the recommendation of the Board, the Administration will adjust the format of the allotment reports to include a column for redeployments and will employ computerized exception reports to strengthen budgetary control. The addition of half-yearly projections of trust fund expenditures, however, cannot be accommodated by the Budget Information System.

6. In a related recommendation concerning budgetary assumptions, the Board recommended, in paragraph 10 (b), that:

> "Instead of using the latest available exchange rates, budgetary assumptions relating to operational exchange rates should be based on an averaging method."

7. While the averaging method for forecasting the operational rates have, in the past, proved more accurate, it would not be advisable to predetermine whether the averaging method or the latest month should be used in budget forecasting and recosting. This decision should be made at the time of each recosting. In circumstances where the average would be higher than the latest available month, it would seem more prudent to use the latest available month so that the estimate resulting from the recosting would be lower. It is not possible, therefore, for the Administration to commit itself to using an averaging method in all cases.

8. In paragraph 10 (c), the Board further recommended the following:

> "Inflation rates for non-post items should be based on the price trends pertaining to a basket of goods and services normally procured by duty stations. For this purpose, necessary data should be collected for major duty stations."

9. The Administration currently does not have sufficient resources to collect the inflation data tailored to the particular consumption pattern of each duty station. Nevertheless, it is envisaged that a questionnaire will be developed, specific to each major duty station, which would facilitate the review of price increases.

10. In a related recommendation regarding budgetary assumptions, the Board recommended, in paragraph 10 (d), that:

"Instead of adopting uniform assumptions relating to delayed recruitment for all duty stations, appropriate vacancy rates should be used for each duty station separately, based on past trends."

11. The views of the Administration on the subject are fairly presented in paragraph 116 of the Board's report. As indicated therein, the Administration appreciates the technical validity of the Board's recommendation but finds it expedient to continue with the current practice.

12. In paragraph 10 (e), the Board further recommended that:

"The budget performance reports presented to the General Assembly should be modified to include the actual expenditures and performance closer to the end of the biennium."

13. The views of the Administration on the subject are fairly presented in paragraphs 122 and 123 of the Board's report. As indicated therein, the current allotment system does not permit expenditure analysis to be based on actual expenditures beyond the first 18 months of the biennium. The Administration will further elaborate the explanation of the inflation factor in future performance reports.

14. As a result of its review of the overall management of procurement, the Board made a number of recommendations, detailed in paragraph 10 (f), as follows:

"(i) The internal control requirements in the modified structure of the Procurement and Transportation Division should be analysed and appropriate internal control systems established;

"(ii) Action should be taken to establish a reliable unified management information system and a comprehensive database including for high-value procurement cases which were exempted from the bidding process;

"(iii) The evaluation criteria and the procedure for registration of vendors established under the revised procurement manual for supplier procedures should be reviewed over time to see whether any further modifications are required;

"(iv) Detailed guidelines should be established on methods of invitation to bid covering the various aspects of procurement;

"(v) The requirements and appropriate categories of goods and services for the duration of proposed systems contracts should be identified in advance through improved procurement planning in the Organization."

15. It should be noted that the cluster system, with two Procurement Sections responsible for approximately four clusters each, has been established to provide balance and rationalization in commodity assignments. It ensures an enhanced supervision of staff and puts into place adequate internal control mechanisms, thus addressing the concerns of the Advisory Committee on

Administrative and Budgetary Questions contained in its report (A/50/7/Add.13), to which the Board refers.

16. The Administration considers a management information system as essential for strengthening control over the procurement process. In line with the recommendation contained in paragraph 10 (f) (ii), the existing database of vital procurement data, along with the added field of immediate operational requirement (IOR) and the enhanced Reality System, will serve to undergird the establishment of a unified information system for the Procurement and Transportation Division.

17. A group of procurement officers has been established to review applications from suppliers on the existing roster and the process of re-registration is almost completed. The registration of suppliers is an ongoing process. Therefore, the evaluation criteria and procedures will be reviewed from time to time to determine what further modifications should be made on the basis of the experience gained.

18. As to the recommendation contained in paragraph 10 (f) (iv) on guidelines on methods of invitation to bid, as applicable to various methods of procurement, these will be developed on the basis of the revised Policy Guidelines on the invitations for tenders and selection of suppliers.

19. The Administration continues to work towards the objective of identifying, through improved procurement planning, appropriate categories of goods and services appropriate for systems contracts. Some accomplishments in the area of peacekeeping operations are logistics services contracts, ration contracts, long-term air charters, vehicle requirements, petroleum, oil and lubricants, uniforms and accoutrements. Similar examples at Headquarters include: electrical maintenance and construction contracts, cleaning and custodial services, travel contracts, catering contracts, movement of household goods, freight forwarding, office supplies, office furniture, paper supplies, printing services and several blanket purchase orders. The Administration is seeking to make greater use of the systems contracts to the extent possible to effect economies and better deliveries. In accordance with the recommendation, efforts are being made to identify items that are suitable for systems contracts and to establish a mechanism for procurement of such items through systems contracts.

20. The Administration will take appropriate measures to implement the recommendation contained in paragraph 10 (g), in which the Board recommended that:

> "The United Nations Postal Administration should develop an appropriate marketing strategy taking into account the possibility of increasing the share of dealer sales and the need to minimize the cost of sales."

21. The Administration concurs with the recommendations of the Board concerning the technological innovations programme, contained in paragraphs 10 (h) and (i), that:

"Sustained efforts should be continued to increase user access to the Optical Disk Project by providing the required information on the utility of the system;

"The working group of the Technological Innovations Board should be reactivated and a policy on the use of information technology, providing for, inter alia, standardization of hardware and software, should be established soon."

22. The Administration will take appropriate measures to implement the recommendations of the Board concerning conference services as set out in paragraph 10 (j):

"(i) The practice of maintaining information on the combined output of regular staff and temporary assistance staff in the translation service should be discontinued and the output of temporary assistance staff should be monitored against total expenditures incurred for their engagement;

"(ii) Reliable cost data should be developed in respect of the various activities in conference services and an in-depth study of the cost of services should be undertaken to determine the average cost of each service;

"(iii) Workload standards should be reviewed and revised upwards, taking into account the benefits derived from implementation of the technological innovations programme."

23. In paragraph 10 (k) of its report, the Board recommended that, in order to streamline the process of engagement of consultants in United Nations organizations:

"(i) The terms of reference of consultants should be prepared more precisely, including objectives, targets and output delivery dates. Necessary guidelines should be issued to all requesting organizations and departments;

"(ii) To ensure selection of consultants on a more competitive basis, all proposals for consideration of a sole candidate for recruitment should be actively discouraged. Appropriate norms should be established for selection of consultants from a wider geographical base;

"(iii) Requisitioning units should be required to plan their project and programme personnel requirements in advance and provide adequate lead time to the various personnel services within the Organization, so that proper recruitment action can be taken in compliance with the established rules;

"(iv) Recruitment officers in the Department for Development Support and Management Services should be given improved access to comparative information on consultants' fees. The basis for fixing the remuneration of consultants should be recorded;

"(v) The assessment form on consultants should be reviewed to make it more detailed and to indicate more clearly the quality of the consultant's work and the consultant's ability to undertake future assignments."

24. The Board was advised that there is a procedure in effect under which requirements and qualifications of a consultant are defined. Forms P.104 and P.104/A contain the work assignment, commencement and completion dates and the expertise and qualifications required. The forms also contain an "evaluation sheet", which is submitted along with the request for final payment, wherein the requesting office evaluates the consultant's performance. The Administration will take steps to ensure a more precise and comprehensive preparation of consultants' terms of reference.

25. As to the selection of consultants, substantive departments and requesting offices, owing to specific needs, time constraints and unavailability of other candidates, may make the selection on a single candidate basis. In such cases, however, they have to explain the reason for such selections on form P.104/A.

26. Concerning the Department for Development Support and Management Services, the Board's note that the main reason for sole candidate recruitment was that it was important that the expert be recognized as an authority in the field, with no known alternative. It should also be added that in many cases candidates have been proposed and selected by Governments or United Nations Development Programme field offices. The dilemma faced by the Department in delivering technical cooperation is whether to respond rapidly to rush requests by recruiting the readily available qualified consultant, or to insist on a wider search for alternative candidates, which might, because of delay, jeopardize the implementation of the project. In the current circumstances of technical cooperation, when the demand for traditional longer-term expert assignments is decreasing while rapid-response short-term specialized consultancies are preferred, the Department is of the view that recruitment practices should not be excessively rigid. While the principle of universality and openness should be maintained, a realistic approach requires the treatment of individual recruitments on the basis of the exigencies of each case.

27. The Board's observation that the Department recruits consultants from a limited number of developed countries is noted; it should also be recalled that local consultants are widely used for technical services support at the programme level (TSS-1) assignments. The Department will continue to apply its best efforts to recruit consultants on as wide a geographical basis as possible. However, when services are required on short notice, as is frequently the case, it is often more expedient and advantageous to recruit an available individual who has already satisfactorily performed similar activities for the programme under comparable circumstances.

28. Such exigencies notwithstanding, appropriate measures will be taken by the Administration so that all substantive departments and offices follow the Board's recommendation in this regard to the extent feasible.

29. Concerning the recommendation in paragraph 10 (k) (iii), all departments and offices will be reminded of the requirement to allow for adequate lead time in order to identify the best possible candidate for the required consultancy.

At the same time, it should be recognized that there will always be last-minute cases, which are mostly related to emergency situations.

30. The Administration accepts the Board's recommendation in paragraph 10 (k) (iv) and wishes to point out that in most cases the fees proposed by requesting offices fall within reasonable limits. As to the Board's related observation concerning recording the basis for fixing remuneration, it should be noted that the Economic and Social Commission for Asia and the Pacific has recorded the basis for fixing remuneration by adopting a general procedure of comparing the payments with that which a professional employed for the same period would draw. In addition, factors, such as the nature of the work assignment, volume and complexity of work, remuneration for work of comparable project personnel, qualifications and experience required are considered in fixing the level of remuneration of consultants. In the Department for Development Support and Management Services, recruitment officers make offers on the basis of a review of the comparative data of other organizations. In some cases, however, Governments selected very experienced consultants who demanded high fees.

31. The Administration accepts the Board's recommendation contained in paragraph 10 (k) (v). It should be noted, however, that the "evaluation sheet" in form P.104 provides for evaluation of the consultant's work and also requires the responsible officials to provide recommendations on whether payment to a consultant should be made in full and consideration should be given to re-engaging the consultant in the future. Nevertheless, as recommended by the Board, consideration will be given to how best to revise these assessment forms in order to elicit more detailed comments from substantive offices concerning strengths and weaknesses of consultants and to ensure the necessary feedback to the respective personnel services.

32. In paragraph 10 (l), the Board recommended that:

> "The reasonableness of the lump-sum travel grant should be reviewed to see whether a reduced percentage of the lowest full economy fare would be an adequate compensation under the scheme."

33. The Administration will keep the validity of the current reimbursement level of 75 per cent of the applicable full economy-class fare under review. In this connection, it should be recalled that the lump-sum payment not only covers expenses for air fare plus terminal expenses, unaccompanied shipments and accompanied excess luggage, daily subsistence allowance for approved stopovers and visa fees, but also assigns to the recipient all risks and responsibilities connected to the purchase of discounted, non-reimbursable air tickets.

34. In paragraph 10 (m) of its report, the Board recommended that:

> "A system of periodic claims audit should be introduced at the offices of the medical insurance companies to ensure that the claims submitted by them are correct. The possibility of obtaining competitive bids should be explored before awarding medical and dental insurance contracts in future."

35. The Administration accepts the recommendation and will develop a system for periodic claims audits. The process of soliciting competitive proposals from health insurance companies will be carried out in the future when new health insurance plan structures are endorsed by the Health and Life Insurance Committee. This approach will ensure that all factors relating to the introduction of a new health insurance scheme are fully considered, taking into account the interests of staff members and retirees. This approach will also ensure that competitive procurement, which in the case of health insurance is a highly complex and time-consuming undertaking, will yield the best insurance policy contract obtainable at a time when a new health insurance plan structure is deemed to be in the best interests of the Organization and participants alike.

36. The Administration accepts all of the Board's recommendations concerning internal audit, as set out in paragraphs 10 (n) to 10 (q):

"(n) The internal audit coverage of UNHCR country programmes should be enhanced to aim at a shorter audit cycle and to cover activities with high-risk ratings more frequently;

"(o) The database of audit activities should be made more comprehensive to ensure inclusion of all audit and related activities and available resources;

"(p) An appropriate medium-term audit plan should be developed expeditiously, as recommended by the Board in a previous report;

"(q) All prior-period audit recommendations should be reviewed to identify and follow up the more important and relevant issues."

37. In connection with the management of the statistical programme, the Board's recommendations are contained in paragraphs 10 (r) to 10 (t):

"Planning and monitoring of programme outputs should be improved by identifying more formally the timing and resource requirements for the various outputs;

"To enable more meaningful monitoring of programme performance to be done, there should be a more rigorous estimate of the resources required for each output;

"To develop an appropriate programme implementation plan, the Statistics Division should:

"(i) Define each statistical output or activity as a project and plan accordingly;

"(ii) Reflect in the planning process the timing and resource allocation for non-output specific activities, such as parliamentary services;

"(iii) Include efficiency and quality performance targets for each output, and plans and targets for quality control activities."

38. The Administration takes note of the Board's recommendations regarding the design of specific performance targets and concurs that such measures as timeliness, coverage, reliability, relevance and usage are essential to the implementation of the statistics programme. The Administration also shares the view that there should be a closer correlation between resource utilization and programme delivery. In this context, it should be noted that the challenge of identifying the full cost of producing inputs, including the use of work measurement or other zero-based budgeting techniques, as suggested by the Board, involves a wide range of issues of programming, budgeting, personnel management and other factors. Therefore, this task will be pursued in the course of wider administrative reform in the Secretariat, including the implementation of the Performance Appraisal System, and will also depend on the modalities of defining the Organization's work programme by Member States.

39. Concerning technical cooperation activities, the Board's recommendations are contained in paragraphs 10 (u) and (v):

> "In technical cooperation projects, benchmarks should be established on the basis of previous experience to test the validity of individual project delivery assumptions and resource allocation;
>
> "The Department for Development Support and Management Services should take stronger action when external factors cause excessive delays in executing project activities, and should take appropriate action to overcome difficulties arising from internal factors."

40. The Administration concurs with the Board's recommendations, and a number of measures to this end have already been taken. Frequent meetings on delivery issues at the branch level in the Department for Development Support and Management Services have been instituted, and a task force on delivery and resource mobilization, which reports bimonthly to the Under-Secretary-General, has been established to address the various causes of low delivery, and to recommend possible solutions. In addition to the task force, various management reports have been produced and provided to management so that a workload analysis can be carried out at the branch level to further determine where improvements and adjustments can be made. The Department will continue to develop work measurement tools and to revise internal procedures to achieve concrete improvements in delivery.

41. The Department for Development Support and Management Services is fully mindful of the need to direct greater attention to some of the internal factors affecting delivery and performance, such as improving planning and monitoring of project activities and revamping working practices and procedures to achieve greater efficiency. These aspects were investigated in the course of the Department's efficiency review and are being studied by the task force mentioned above. As to external factors, it should be noted that it is often difficult to foresee problems that might occur in countries, impacting adversely upon delivery. There is little action that can be taken by the Department when government clearances are not forthcoming, other than repeated follow-up cables or requests for the intervention of the resident representative.

42. The recommendations of the Board concerning programme planning, monitoring and evaluation are contained in paragraph 10 (w) of its report:

"To improve the quality of programme planning, monitoring and evaluation in the Organization, the Board recommends that:

"(i) Departments should be encouraged to quantify more activities in proposed programme budgets so as to facilitate improved monitoring and evaluation;

"(ii) Programme outputs and output delivery dates should be quantified by the departments themselves on the basis of appropriate guidelines issued by the Central Monitoring and Inspection Unit. Thereafter, the outputs should be subject to review by the Unit;

"(iii) Guidelines should be issued to all departments to establish formal monitoring procedures. In addition, a central database of monitoring procedures should be established to ensure improved oversight of the monitoring process;

"(iv) The Central Monitoring and Inspection Unit should provide to the departments concerned regular feedback on the programme performance deficiencies noticed at the end of 12 months and 18 months of the biennium;

"(v) The number of self-evaluations conducted in departments should be increased by closer monitoring and interaction between the departments and offices and the Central Evaluation Unit. In addition, detailed guidelines should be issued early to all departments, covering current evaluation practices, methodologies and quality standards;

"(vi) Regulations, rules and manuals concerning programme planning, budgeting, monitoring and evaluation should be updated to incorporate changes in budgetary and programme planning practices."

43. The recommendation contained in paragraph 10 (w) (i) is accepted. As to the next recommendation to the effect that outputs should be identified and quantified by the respective departments on the basis of appropriate guidelines, the Administration wishes to recall its earlier explanation to the Board that this proposal is at variance with the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation. Rule 105.1 explicitly designated the approved programme budget as the frame of reference against which implementation is to be monitored.

44. Similarly, as to the recommendation contained in paragraph 10 (w) (iii), the Board was advised of the Administration's view that the instructions issued for reporting programme performance provide adequate guidance for programme managers to establish their own monitoring system. These instructions contain the basic quantitative and qualitative information needed to track progress in implementation, including the modifications introduced to the programme, the problems encountered and the work months engaged in producing the activities

delivered. Any further guidelines are neither desirable or practical since each department has to fine-tune and emphasize particular aspects of the quantitative and qualitative information it needs to gather to address its own requiremerts. With respect to the development of an information base for the monitoring systems and procedures in place throughout the Organization, this idea appears to be worth pursuing. However, the effectiveness of such a system can only be determined through inspection reviews conducted on an ad hoc basis. The Administration concurs with the Board's recommendation that the Office of Internal Oversight Services should exercise its oversight function more frequently to ascertain the effectiveness of departmental monitoring systems.

45. The recommendation contained in paragraph 10 (w) (iv) is accepted by the Administration.

46. The Administration concurs with the recommendation contained in paragraph 10 (w) (v) and notes with satisfaction that the Board's recommendation on guidelines closely correlates with that proposed on the subject by the Office of Internal Oversight Services in its report (A/51/88, annex), in which it was envisaged to issue guidelines covering not only evaluation but also other oversight activities at the level of departments and offices.

47. The Administration will take appropriate measures to implement the recommendation contained in paragraph 10 (w) (vi).

## Notes

1/ Official Records of the General Assembly, Fifty-first Session, Supplement No. 5 (A/51/5), vol. I, sect. II.

---